

This letter discusses questions regarding the CDF Sales Tax Exemption created by Public Act 93-0023. See Public Act 93-0023. (This is a GIL.)

January 29, 2004

Dear Xxxxx:

This letter is in response to your letter we received on August 8, 2003, in which you request information. We apologize for the delay in responding to your inquiry. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

1. Does the CDF apply to vehicles already in a fleet on which sales tax was paid prior to July 1, 2003? If yes, why isn't it considered a form of double taxation? Please provide statutory or administrative support for your conclusions.
2. If a lessee wants a vehicle registered in their own name, can the lessor (vehicle purchaser) still qualify for the CDF exemption on the purchase?
3. If a company trades in a vehicle on which the CDF has been paid, will the vehicle be subject to use tax and the new vehicle is exempt from tax?
4. If a customer upgrades a lease after one year and the lessor had used the CDF exemption, would the trade be allowed as an exemption if the lessor elects to pay sales tax at that time, or can the CDF exemption be used on the second lease?
5. Since semi-trailers qualify for the CDF exemption, and since semi-trailers require a one-time permanent plate fee, how does the State of Illinois expect lessors to continue to pay the CDF for trailers in future years?

6. In Senate Bill 841 it appears that the CDF applies if the registration fee is paid under Sections 625 ILCS 5/13-875 or 625 ILCS 5/3-818 of the Illinois Motor Vehicle Code. If the registration fee on trailers is paid pursuant to a different section of the Illinois Motor Vehicle Code, does the CDF still apply?
7. How are components put on a vehicle taxed? Does the CDF exemption apply if the components are purchased after the vehicle but are put on the vehicle before it is put in service?
8. If a vehicle on which the CDF has paid been paid is sold before the end of the registration year, does the seller (the payer of the CDF) receive a partial refund of the CDF prorated for the remainder of the registration year? Please elaborate on your answer and provide statutory or administrative support for your conclusions.
9. This question is in regards to accessories installed on trucks. The CDF is a percentage of the registration of fees paid by the registrant under Sections 625 ILCS 5/13-815 or 625 ILCS 5/3-818 of the Motor Vehicle Code. These statutes base their fees on weight, distance or a combination of both. If an accessory is installed on a truck on which the CDF is paid, does the accessory also qualify for the CDF sales tax exemption? Does it matter when the accessory was installed, before or after the CDF was paid? Assume the truck does not qualify as rolling stock. Please provide statutory or administrative support for your conclusions.
10. With respect to the rolling stock exemption as it applies to trucks in Senate Bill 841, what sort of exemption documentation is required to be maintained by a leasing company for its customers claiming the rolling stock exemption?
11. If the registration expires on a vehicle in which the CDF had been paid, is the vehicle now subject to sales tax if the owner puts the vehicle up for sale?

## **DEPARTMENT'S RESPONSE:**

1. The Department does not administer the Commercial Distribution Fee. This Fee is administered by the Illinois Secretary of State. The Commercial Distribution Fee is a fee imposed under the Illinois Vehicle Code in relation to the registration of that vehicle. Registration fees are not taxes and are commonly charged on vehicles upon which sales tax has been paid.

2. A purchaser that is buying a qualifying vehicle for lease, may claim the CDF Sales Tax Exemption as long as that vehicle is being registered in such a manner that the Commercial Distribution Fee is incurred as part of that registration.

3. If a qualifying vehicle is purchased and qualifies for the CDF Sales Tax Exemption, as long as that vehicle is registered and is subject to the Commercial Distribution Fee it will not be subject to sales or use tax. If the owner of the vehicle sells that vehicle and no longer retains ownership of the vehicle, the owner/seller will not incur use tax on that vehicle. The purchase of a new vehicle will be subject to tax unless it qualifies for the CDF Sales Tax Exemption or some other exemption.

4. We cannot provide a specific answer to your question without more information on how the customer “upgrades” the lease. If the upgrade requires that the lessor trade-in the prior motor vehicle, please see our answer to question number 3 above.

5. If a trailer is registered under subsection (a) of 625 ILCS 5/3-818, it will be subject to the Commercial Distribution Fee. If a trailer is not registered under subsection (a) of 625 ILCS 5/3-818, then that trailer is not subject to the Commercial Distribution Fee.

6. As we have stated above, the Commercial Distribution Fee is administered by the Illinois Secretary of State. Any questions regarding the administration of the Fee should be sent to the Illinois Secretary of State’s Office. Based upon the statutory language of Public Act 93-0023, the CDF Sales Tax Exemption is only applicable to a trailer that is registered under subsection (a) of 625 ILCS 5/3-818.

7. Components or parts put on a motor vehicle after it has been purchased do not qualify for the CDF Sales Tax Exemption.

8. As we have stated above, the Commercial Distribution Fee is administered by the Illinois Secretary of State. Any questions regarding the administration of the Fee should be sent to the Illinois Secretary of State’s Office.

9. See our answer to question number 7 above.

10. The Department expects to issue proposed rules that will provide guidance on the types of documents that may be used by owners and lessors to document the rolling stock exemption. Please check the Department’s website listed below that will notify taxpayers when those proposed rules have been filed.

11. As a technical proposition, if the purchaser claimed the CDF Sales Tax Exemption on the purchase of a motor vehicle and that motor vehicle no longer is subject to the Commercial Distribution Fee, the owner incurs a Use Tax liability on the purchase price of that motor vehicle.

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department’s Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

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Associate Counsel

TDC:msk